

U.S. Department of Agriculture Office of Inspector General Southwest Region Audit Report

Food and Nutrition Service Food Stamp Program Quality Control Process Southwest Region



Report No. 27002-3-Te May 2001



UNITED STATES DEPARTMENT OF AGRICULTURE



OFFICE OF INSPECTOR GENERAL
Southwest Region
101 South Main
Temple, Texas 76501

DATE: May 8, 2001

REPLY TO

ATTN OF: 27002-3-Te

SUBJECT: Food Stamp Program – Quality Control Process

TO: Ruthie Jackson

Regional Administrator Southwest Region

Food and Nutrition Service

Dallas, TX 75242

We conducted an audit of the Food and Nutrition Service Regional Office (FNSRO) Quality Control (QC) Operations for fiscal year (FY) 1999. We reviewed QC fles for the two States in the Southwest Region that received enhanced funding. Texas and Arkansas received \$27,941,372 and \$4,099,364, respectively, in enhanced funds because their payment error rate (PER) was under the national performance measure of 5.9 percent.

We found a FNSRO detected QC case error in Arkansas was erroneously overturned in informal resolution. This error occurred because all available information was not in the case file for the informal resolution panel to consider. Therefore, the case reverted to the State Agency's (SA) original no finding determination when the case was actually a State caused error resulting in a \$15 monthly overissuance of food stamp benefits to the recipient. The error increased the Arkansas FY 1999 PER from 4.54 to 4.56; however, this change in the PER did not affect the amount of enhanced funding that Arkansas received in FY 1999.

In FNSRO's official's response, dated April 20, 2001, they stated that the recommendation could not be accomplished because provisions in the Food Stamp Act of 1977 required all case reviews and State-Federal differences be completed not later that 180 days after the end of the FY and that 30 days thereafter, the Secretary would determine final error rates. They concluded that these provisions of law prohibited changes to the individual case findings, a SA's PER, or the national average PER.

Although we believe that the law does not prohibit changing the PER if an error has occurred, because of the relatively small effect of this error, we have changed the recommendation so that FNSRO should inform the Arkansas SA of this error and that the correct PER for FY 1999 should have been 4.56 percent.

BACKGROUND

The SA's are responsible for administering the Food Stamp Program according to the Food Stamp Act, Federal regulations, and their Food and Nutrition Service (FNS) approved plan of operation. Each SA shall have a performance reporting system (PRS) for monitoring and improving its administration of the program. The SA PRS shall include a system for performing QC reviews and implementing corrective action plans (CAP). QC reviews provide: (a) a basis for determining certification error rates, (b) a timely and continuous flow of information on which to base corrective action at all levels of administration, (c) a basis for establishing SA liability for error rates that exceed the national tolerance level, and (d) a basis for awarding enhanced funding to SA's.

FNS is responsible for conducting an annual review of certain functions performed at the SA level in the administration/operation of the program. FNS shall validate each SA's payment error rate and underissuance error rate during each annual quality control review period. FNS will conduct case record reviews to the extent necessary to determine the accuracy of the SA's findings using household certification records and the SA's QC records as the basis of determination. Any deficiencies detected in the SA's QC system shall be included in the SA's CAP.

In FY 1999, only two States in the five State Southwest FNS region received enhanced funding because their PER was under the national performance measure. The national performance measure was 5.90. The Arkansas PER was 4.54, and the Texas PER was 4.56.

Informal resolution is a process that provides an avenue for States to challenge what they believe to be incorrect Federal findings. This is not a process of negotiation or compromise between the Federal and SA's. Informal resolution can only begin after the Federal findings for a case are transmitted to a SA and the State expresses its wish to challenge those findings.

If, through informal resolution, the SA and FNSRO agree to a modified Federal finding prior to the 20-day deadline for requesting arbitration of the original finding, the new finding must be transmitted to the SA. In such circumstances, the SA retains the right to request arbitration of the new Federal finding, if they are in disagreement with the new finding.

OBJECTIVE

The objective of our audit was to determine whether FNSRO properly granted enhanced funding to States in the Southwest Region.

SCOPE AND METHODOLOGY

To achieve our objective, we reviewed agency regulations, policies and procedures relevant to QC operations. We obtained Federal QC files from the FNSRO and State QC files from the Texas and Arkansas SA's. Our audit included a review of these files relevant to the final disposition of the QC reviews conducted by the FNSRO. We also conducted interviews with Federal QC reviewers and officials at the FNSRO in Dallas, Texas.

We reviewed 48 cases from the QC case record reviews conducted by the FNSRO staff for FY 1999. During the FY 1999 QC review period, FNSRO QC staff reviewed 609 total cases in Texas and 588 in Arkansas. We selected all 38 cases where Federal reviewers had nonconcurrence with State reviewers' decisions (8 cases in Texas and 30 in Arkansas). These cases included three from Texas and five from Arkansas that went through the informal resolution process. We also selected 10 additional cases (5 from Arkansas and 5 from Texas) from the subsample listings sent to the SA's from FNS.

We conducted our audit from October 2000 to March 2001 in accordance with Government auditing standards.

FINDINGS

A QC error detected by Federal reviewers for Arkansas was erroneously overturned in informal resolution because all the available information was not in the case file to be considered during the decision process. The error increased the Arkansas FY 1999 PER from 4.54 to 4.56. However, the change in the PER did not affect the amount of enhanced funding Arkansas received in FY 1999.

According to FNS Handbook 315, required records include "the household's complete certification case record from the local office and the SA's complete quality control record." It further states "The Federal reviewer must ensure that all information needed from the certification case record to support the Federal reviewer's decision is documented in the Federal record."

We reviewed all Federal QC cases with findings that were overturned in informal resolution for those States that received enhanced funding. Federal case AR 220 was selected for QC review for the sample month of April 1999. The State QC found no error with the case. Two Federal reviewers reviewed the case file and both found a \$44 overissuance based on the inappropriate application of the standard utility allowance by the State eligibility worker. A third review was conducted by a senior Federal reviewer to verify the Federal review

results. During informal resolution with officials of the Arkansas SA and FNSRO, the senior reviewer recommended that the decisions of the first two reviewers be overturned.

Our review of case AR 220 determined that there were notes in the client file that showed the SA knew prior to approval of the application that the client did not pay the electric bill. The exspouse, who did not live in the household, paid the electric bill. The household also did not have any out-of-pocket heating or cooling expense. The household did have out-of-pocket expenses for water, phone and garbage in which regulations allow the client to take actual costs for utilities paid by the household if they do not qualify for the standard utility allowance. The Federal reviewers' \$44 overissuance did not take into account the actual expenses paid by the client.

By allowing the actual expenses paid by the client, we determined that the client was overissued \$15 in food stamps for the sample month. Federal QC personnel have reviewed our finding and agreed with our determination. In addition, the FNSRO officials notified the Arkansas SA of the discrepancy for case AR 220.

We interviewed the Federal senior reviewer concerning case AR 220. The senior reviewer provided a written explanation why the case was overturned during informal resolution. According to the senior reviewer, the first Federal reviewer did not copy and prepare a "dummy" case file with the needed information to support the Federal variance. Since the variance could not be supported during informal resolution, the decision defaulted back to the State's original zero dollar error determination.

According to FNSRO QC officials, the FNSRO implemented a policy to ensure that all documentation was available to support all variances found by Federal reviewers. This policy was implemented after case AR 220 was overturned during informal resolution. However, after implementation of this policy, FNSRO QC personnel did not reexamine case AR 220 to determine the accuracy of the informal resolution decision.

We had the FNSRO statistician run a new error rate calculation for the State of Arkansas because of the error we found. Recalculation of the error rate based on the additional error changed it from 4.54 percent to 4.56 percent, a difference of 0.02 percent. Using the formula supplied in the <u>Code of Federal Regulation</u> (CFR) 7 CFR 277.4, the PER for Arkansas would have had to increase by 1.46 percent before there would have been an effect on the enhanced funding earned by Arkansas.

RECOMMENDATION

Inform the Arkansas SA of this error and that the correct PER for FY 1999 should have been 4.56 percent.

Please provide a written reply within 60 days describing the actions taken to address our recommendation. Note that Departmental regulations require that a management decision be reached on the recommendation within a maximum of 6 months from report issuance. We appreciate the courtesies and cooperation extended to our staff during this review.

/s/

ROBERT E. GRAY Regional Inspector General for Audit

Attachment

Attachment A - FNS Response



United States Department of Agriculture Food and Nutrition Service

Southwest Region

Reply to

Attn of: 270002-3-Te

APR 2 0 2001

Subject: Food Stamp Program - Quality Control Process

To: Robert E. Gray
Regional Inspector General for Audit
Office of Inspector General
U. S. Department of Agriculture
101 South Main, Room 324
Temple, TX 76501

This is in response to a recommendation contained in the Office of Inspector General (OIG) draft report for the Food Stamp Program (FSP) Quality Control (QC) Enhanced Funding Audit. OIG found that the Federal QC review findings in one case (#AR-220) were incorrectly reversed in the informal resolution process. You have recommended that the official payment error rate of Arkansas for Fiscal Year (FY) 1999 be adjusted from 4.54% to 4.56%.

We regret that this recommendation cannot be accomplished. The Food Stamp Act of 1977, Section 16(c), paragraphs (8)(B) and (C) specify: "Not later than 180 days after the end of the fiscal year, the case review and all arbitrations of State-Federal difference cases shall be completed. Not later than 30 days thereafter, the Secretary shall - (i) determine final error rates, the national average payment error rate, and the amounts of payment claimed against State agencies; and (ii) notify State agencies of the payment claims." For the FY'99 QC review period these dates were March 28, 2000, and April 27, 2000, respectively. We conclude that these provisions of the law prohibit any changes in FY'99 individual case findings, a State agency's official payment error rate, or the national average payment error rate after April 27, 2000.

If there are any questions, please contact Esther Phillips, FSP Director at 214-290-9804.

DONALD E. ARNETTE

Acting Regional Administrator